



North American
Development Bank

Institutional Development Cooperation Program

UNITED STATES

MEXICO



The **North American Development Bank** (NADB) was created by the United States and Mexico to provide financial assistance in solving environmental infrastructure problems along their shared border. Focusing its efforts on water, wastewater and municipal solid waste projects, the NADB's overall goal is to provide a clean, healthy environment in the border region by fostering a gradual transition from fully-subsidized projects to integrated, sustainable and fiscally sound projects, financed under competitive market conditions.

Since environmental infrastructure projects are complex, expensive to develop and difficult to manage, the need to maximize the operating conditions of existing utility systems is critical. However, many public utilities along both sides of the border, especially in small, low-income communities, lack the institutional structure and financial capacity necessary to undertake studies and implement reforms that would enable them to meet community needs adequately. In addition, there is a clear need to improve the credit rating and the quality of the projects and their sponsoring agencies in order to restructure municipal financing and channel more private capital to relevant projects.

To help address these needs, the NADB has established the Institutional Development Cooperation Program (IDP) as a crucial complement to its loan and guaranty program.



Objective

The IDP assists public utilities in achieving effective and efficient operation of their water, wastewater treatment, municipal solid waste, and related services by reinforcing their institutional capacities, thus creating a stronger financial foundation that will support the development of future infrastructure.

The IDP is designed to complement and work with other development programs, including the Project Development Assistance Program (PDAP) administered by the Border Environment Cooperation Commission (BECC).

Criteria

Eligibility

Public utilities that manage water, wastewater or municipal solid waste located within 100 kilometers of the U.S.-Mexico border are eligible for IDP support.

Priorities

Based on program objectives, special preference will be given to public utilities with viable projects that have failed to gain broader support due to institutional deficiencies. Priority will be given, in the following order, to eligible utilities that have:

- 1) a BECC-certified project and need institutional strengthening to facilitate financing; or
- 2) a Step I BECC certification application on file and need institutional strengthening to facilitate certification and financing; or
- 3) preliminary projects targeted at small, low-income communities and need institutional strengthening; or
- 4) a need for institutional strengthening, but do not have a specific project; or
- 5) a need for institutional strengthening to enhance privatization efforts.

Specific project prioritization will be reviewed in conjunction and cooperation with federal, state and local authorities as well as with the BECC.

Implementation

The IDP is a two-phase program. During the initial phase, the NADB can provide personnel and resources for an institutional development needs assessment, if necessary, of the eligible utility at no cost to the community. In the second phase, a plan of action based on the assessment results will be devised to address the needs of the utility. Resources may also be allocated to improve information and administrative systems, provide training and enhance other areas that have an impact on the financial structure of the utility.

Phase I

Institutional Development Needs Assessment

Assistance will initially be given to prepare a needs assessment of the institutional capacities of the public utilities, as well as related studies. The following areas may be examined:

Technical-Operating Factors: Operation, maintenance and conservation policies and procedures; technology and equipment; inspection and control systems; leak detection and management; metering equipment; repairs; and databases for networks and source supply supervision.

Commercialization: Characteristics and trends in user registry and demand; rate policies and schedules; procedures for metering, reading, billing and collection; historical data, controls and reports; policies and control of overdue accounts, delinquent accounts and penalties; customer service; public awareness campaigns; and marketing.

Planning, Organization and Administration: Legal provisions in force; bylaws and the regulatory and institutional framework; planning system; organizational structure and development; procedure manuals; personnel policy; fixed assets, material resources and inventory policy and control; procurement and contracting policy and control; information systems and networks; decentralization, communication and delegation arrangements and administrative controls; and management and efficiency indicators.

Budget and Accounting: Accounting procedures and reports; programming, budget and control systems; audits; fiscal framework; and analysis and control of balance sheets and income statements.

Finances: Financial data collection, projection and reporting systems; financial parameters and ratios; rate and risk analysis; reserve and investment policies; and the feasibility of assets as collateral.

Privatization Processes: In the event a utility is being considered for privatization or concession, the analysis of the privatization process will examine the types of participation and contracts; regulatory framework; prequalification process; design of competitive and transparent processes; proposed privatization elements; and all relevant provisions, restrictions and penalties.

In cases where a utility has already prepared a study with recommendations for specific institutional strengthening actions, assistance may be requested to carry out those actions.

Phase II

Plan of Action

A plan of action based on the needs assessment will be formulated, in coordination with local authorities, to help each utility establish sound financial and managerial infrastructure, thus increasing operational capability, long-term credit capacity, and ability to meet future system requirements.

Information Systems and Data Collection Equipment

When the assessment results reveal a need to improve information and data collection systems, the IDP can provide computers and related information processing equipment. This type of assistance is primarily aimed at developing or improving metering, collection, accounting and administration systems; and does not extend to office furniture or equipment. Training in the use of the new equipment and in the implementation of new procedures may, however, be provided under the program.

Operation

Assistance will be subject to the availability of funds. Needs assessments may be conducted by NADB personnel or by external consultants hired by the NADB. The procurement of any goods and services under the program will be carried out in accordance with the NADB's procurement policies and procedures.

Cooperative Assistance

Through the IDP, the NADB can help identify other programs and sources of information regarding additional funding, technologies, technical and administrative training, water conservation measures, planning and related issues. The NADB can facilitate coordination of these support programs and funding sources to complement IDP assistance and other NADB operations.

Cooperation of Utilities

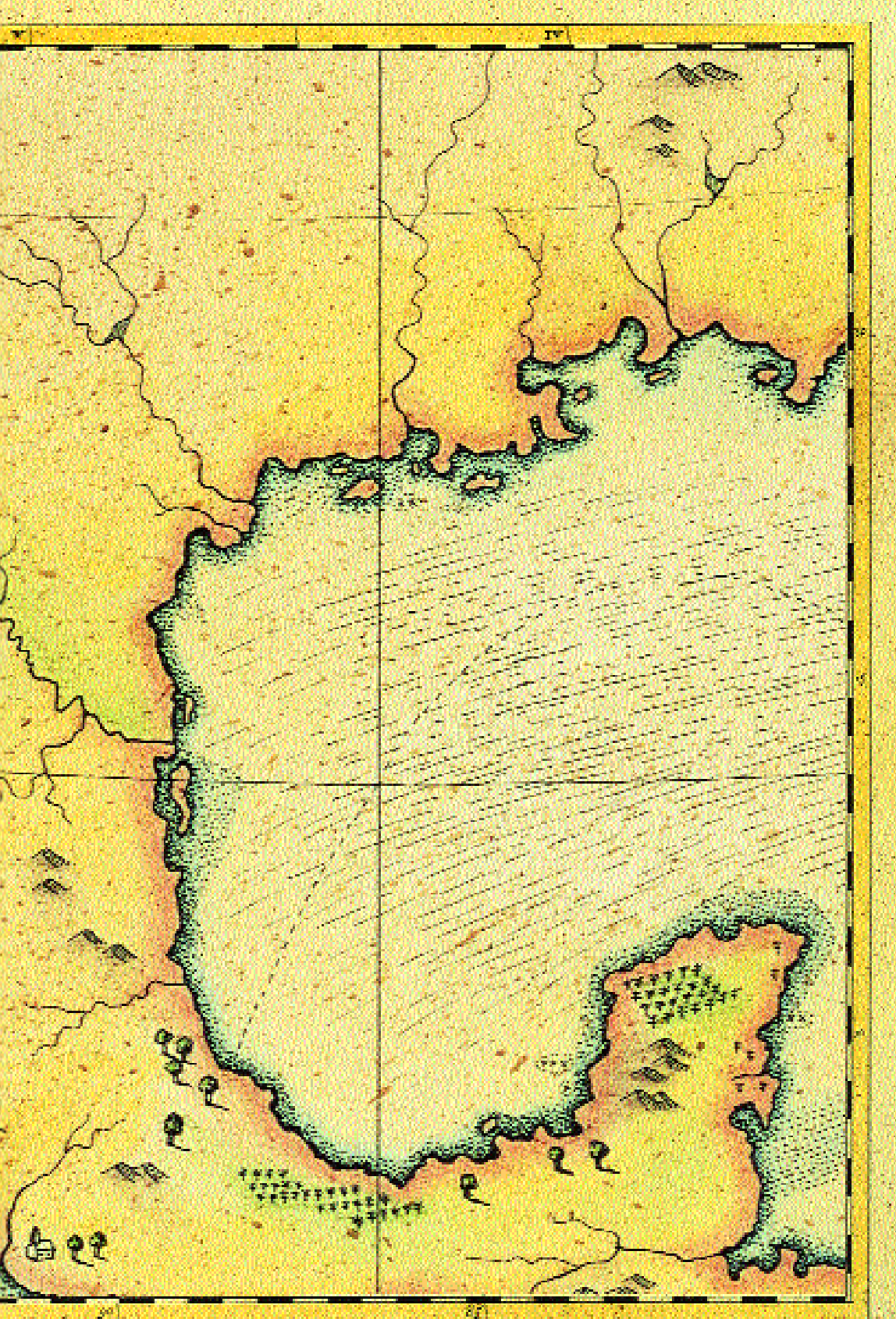
Development of the needs assessment and action plan requires the full cooperation of the utilities, which must ensure complete access to all pertinent information and sign a letter agreement with the NADB.

Note

Receiving assistance through the IDP or any other NADB assistance program does NOT imply or guarantee NADB project funding.

To receive more information about the Institutional Development Cooperation Program, please submit the enclosed Information Sheet to:

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